

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

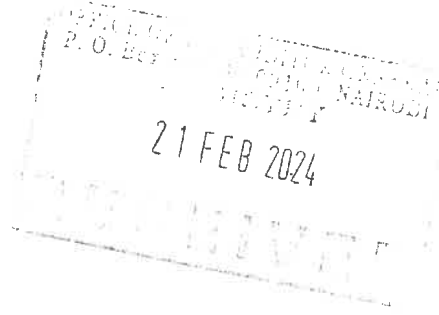
OF

THE AUDITOR-GENERAL

ON

**NEW KENYA CO-OPERATIVE CREAMERIES
LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**



NEW KENYA CO-OPERATIVE CREAMERIES LTD
REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023

**Prepared in accordance with the Accrual Basis of Accounting Method under the
International Financial Reporting Standards (IFRS)**

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

On 24th June 2003, New Kenya Co-operative Creameries (NKCC) Limited was registered under the Co-operative Societies Act to facilitate the takeover of all assets, business, control and management of Kenya Co-operative Creameries (KCC) 2000 Limited. On the 19th November 2004, NKCC Limited was incorporated under the Companies Act with 100% Government of Kenya Shareholding to take over the business from NKCC the Co-operative Society.

(b) Principal Activities

The company's principal activity is buying, processing, selling and distribution of milk and milk products.

(c) Directors

The Directors who served the entity during the year/period were as follows:*

1.	Mr. David Maina Kamiru	Chairman	Appointed on 10th Feb 2023
2.	Mr. Nixon Sigey	Managing Director	Appointed on 1 st Jan 2015
3.	Ms. Rukia Rashid	Director	Appointed on 10 th March 2023
4.	Mr. Elisha Biwott	Director	Appointed on 10 th March 2023
5.	Dr. Stephen Ikikii	Director	Appointed on 26 th Nov 2018
6.	Dr. Abraham Sangula	Director	Appointed on 24 th April 2023
7.	Col.(Rtd) David Samoei	Director	Appointed on 10 th March 2023
8.	Ms. Hilda Gichuki	Director	Appointed on 10 th March 2023
9.	Mr. Geoffrey Agwenyi	Director	Appointed on 10 th March 2023
10.	Mr. David Obonyo	Director	Appointed on 20 th Sept 2019

(d) Entity Headquarters

P.O. Box 30131-00100
Creamery House
Dakar Road, Industrial Area
Nairobi, KENYA

(e) Entity Contacts

Telephone: +254 020 3980000
E-mail: info@newkcc.co.ke
Website: www.newkcc.co.ke

(f) Entity Bankers

1. Co-operative bank of Kenya limited
Industrial Area Branch.
Nanyuki road
P.O. Box 18119- 00500
Nairobi.
2. Kenya commercial bank limited
Industrial Area Branch.
P.O. Box 18031-00500
Nairobi.
3. Standard chartered Bank of Kenya Limited
Industrial Area Branch.
P.O. Box18081-00500
Nairobi.
4. CFC Stanbic bank limited
Industrial Area Branch.
P.O. Box 30550-00100
Nairobi.
5. Equity Bank Ltd,
Enterprise Branch,
P.O. Box 41895-00100,
Nairobi.

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(g) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(h) Principal Legal Adviser

1. The Attorney General,
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

II. THE BOARD OF DIRECTORS

 <p>MR. DAVID MAINA KAMIRU -CHAIRMAN BBA</p>	<p>Mr. David Maina Kamiru was appointed as chairman to the to the Board of New Kenya Co-operative Creameries on 10th February, 2023. He holds Bachelor's degree in Business Administration and is the Managing Director of a Private Enterprise. He has over Twelve years' experience in sales and marketing with primary focus in fast moving consumer goods.</p>
 <p>MR. NIXON SIGEY MBA, B.SC.</p>	<p>Mr. Nixon Sigey was appointed as Managing Director of New Kenya Co-operative Creameries Ltd. on January 1st 2015 with over twenty-five (25) years working experience in Public Service. Mr. Sigey hold a Master of Business Administration (Strategic Management), Bachelor of Science degree (Animal Production) and is currently pursuing a PhD in Business Management.</p>
 <p>COL.(RTD) DAVID KIPKURUI SAMOEI</p>	<p>Col (rtd). David Kipkurui Samoei was appointed to the Board of New Kenya Co-operative Limited on 10th March 2023. He holds an engineering officer course and radar and Telecomm course from ROYAL Air Force Cranwell. He is a trained KDF and has over 30 years' experience in Kenya Defence Force.</p>
 <p>MS. HILDA WANGARI GICHUKI</p>	<p>Ms. Hilda Wangari Gichuki was appointed to the Board of New Kenya Co-operative Creameries on 10th March 2023. She holds masters of Laws degree and is an Advocate of the High Court of Kenya. She has over Ten (10) years' experience in the areas of Commercial and corporate law, Conveyancing and property Law, Commercial Banking and Financial law and Legal Advisory and consultancy Services. She offers legal guidance to the NKCC Board.</p>

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Dr. STEPHEN IKIKII
PHD,M.SC,BSC.

Dr. Stephen Mutemi Ikikii was appointed to the Board of New Kenya Co-operative Limited on 26th Nov 2018 as an Alternate Director representing The National Treasury. Stephen holds a PhD in Economics, MSc in Financial Economics and BSc (Mathematics). He is a full member of Institute of Certified Investment and Financial Analysts (ICIFA).

Stephen is an Economist with over 16 years' experience at The National Treasury.



MR. DAVID OBONYO
MBA,CPA(K)

Mr. David Obonyo was appointed to the Board of New Kenya Co-operative Limited on 20th September 2019 as an Alternate Director representing the Ministry of Co-operatives & MSMES (State Department for Co-operatives). He holds a Master's degree in Business Administration and is a Certified Public Accountant. He has over 25 years' experience in co-operatives management.



MR. GEOFFREY NOAH
ANGWENYI

Mr. Geoffrey Noah Angwenyi was appointed to the Board of New Kenya Co-operative Creameries on 10th March, 2023. He holds Bachelor's and a Master's Degree in Animal Science. He was the Chief Administrator for Borabu University with over 26yrs as university lecturer. He has over Fourteen (14) years' experience as Civil Servant in the Ministry of Livestock as a senior production officer. He has over 30yrs in community development projects and collaborative research with the National Research fund.



Dr. ABRAHAM SANGULA

Dr. Abraham Sangula was appointed to the Board of New Kenya Co-operative Creameries on 24th June 2023 as an Alternate Director Ministry of Agriculture, Livestock, Fisheries

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MR. ELISHA BIWOTT

Mr. Elisha Biwott was appointed to the Board of New Kenya Co-operative Creameries on 10th March, 2023. He is a qualified teacher. He has over 30 years' experience in managing institutions. He has experience in farmers organization & poverty alleviation.



Ms. RUKIA RASHID, HSC

Ms. Rukia Rashid, HSC was appointed to the Board of New Kenya Co-operative Creameries on 10th March 2023. She has a wealth of experience in community service in different capacities.



MS. IRENE K. MBITO
MBA,LLB,CPS(K),MICS





Ms. Irene K. Mbito was employed at New KCC as Company Secretary & Chief Manager Legal Affairs in May, 2021. She holds a Masters of Business Administration Degree (MBA) and a Bachelor of Laws degree; Post graduate Diploma in Law and is a Certified Public Secretary. Has 20 years' work experience as a legal practitioner. She is a member of ICS.

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III. CONSTITUTION OF BOARD COMMITTEES 2022-2023

COMMITTEE	CHAIRPERSON	MEMBERS
TECHNICAL COMMITTEE	GEOFFREY ANGWENYI	COL. (RTD) DAVID SAMOEI, MBS
		MR. ELISHA BIWOTT
		MR. DAVIS OBONYO
		DR. ABRAHAM SANGULA
		MANAGING DIRECTOR
		INSPECTORATE
MARKETING & LOGISTICS COMMITTEE	MS. RUKIA RASHID	MS. HILDA GICHUKI
		MR. ELISHA BIWOTT
		MR. GEOFFREY ANGWENYI
		DR. ABRAHAM SANGULA
		MANAGING DIRECTOR
		INSPECTORATE
FINANCE & GENERAL PURPOSES COMMITTEE	MS. HILDA GICHUKI	COL. (RTD) DAVID SAMOEI, MBS
		DR. STEPHEN IKIKII
		DR. ABRAHAM SANGULA
		MANAGING DIRECTOR
		INSPECTORATE
		AUDIT COMMITTEE
MR. ELISHA BIWOTT		
MR. DAVID OBONYO		
DR. STEPHEN IKIKII		
MANAGING DIRECTOR		
INSPECTORATE		

IV. MANAGEMENT TEAM

Name of the Staff	Responsibility
 MR. NIXON SIGEY MBA ,B.SC.	<p><u>CHIEF EXECUTIVE OFFICER/ MANAGING DIRECTOR</u> Mr. Nixon Sigey was on born on 1st January 1970 appointed as Managing Director of New Kenya Co-operative Creameries Ltd. on January 1st 2015 with over twenty-two (25) years working experience in Public Service, thirteen (13) of which have been in Senior Management.</p>
 MR. SAMUEL ICHURA MBA ,BBA,CPA(K),CISA.	<p><u>CHIEF MANAGER FINANCE</u> Mr. Ichura was born on 6th November 1977 and is in charge of Finance Department at NKCC</p>
 MS. IRENE K. MBITO MBA,LLB,CPS(K),MICS	<p><u>COMPANY SECRETARY & CHIEF MANAGER, LEGAL AFFAIRS</u> Ms. Irene K. Mbito was born on 30.8. 1968.She is the company secretary and in charge of Legal Affairs Department.</p>
 MS. DAMARIS CHIRCHIR MBA,B.SC.	<p><u>CHIEF MANAGER FACTORY OPERATIONS</u> Ms. Chirchir was born on 8th August 1962 and is in charge of Factory Operations Department at NKCC.</p>

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Dr. MAGDALENE MUTHOKA
PhD, MSC, B.COM.

CHIEF MANAGER HUMAN RESOURCE & ADMINISTRATION

Dr. Muthoka was born on 31st December 1973 and is in charge of Human Resource & Administration Department at NKCC



Dr. JAMES GATERU
PhD, MBA, B.COM

CHIEF MANAGER SALES AND MARKETING

Dr. Gateru was born on 20th Nov 1969 and is in charge of Sales & Marketing Department at NKCC



MR. MARUSOI BURGOH
MBA, B.COM, CPA(K)

CHIEF MANAGER INTERNAL AUDIT & RISK COMPLIANCE

Mr. Marusoi Burgoh was born on 11th October 1979 and is in charge of Internal Audit & Risk Compliance Department.



MR. JUSTUS NJENGA
MBA, BBA, DIP-DAIRY TECHNOLOGY





HEAD OF PRODUCTION

Mr. Njenga was born on 9th September 1966 and is in charge of Raw milk Procurement and Extension Services NKCC.



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 <p>MS. STACY TOO BPA, DIP.</p>	<p><u>HEAD OF CORPORATE AFFAIRS</u> Ms. Stacy Too was born on 15th November 1970 and is in charge of Corporate Affairs Department at NKCC</p>
 <p>MR. ANTHONY KINO GU MBA, B.SC.</p>	<p><u>HEAD OF QUALITY ASSURANCE</u> Mr. Anthony Kinogu born on 25th July 1975 and is in charge of Quality Assurance Department.</p>
 <p>MR. PHILIP PYEKO B.SC.</p>	<p><u>HEAD OF RAW MILK & EXTENSION SERVICES</u> Mr. Philip Pyeko was born on 9th May 1977 and is in charge of Raw Milk & Extension Services Department.</p>
 <p>Dr. LINAH BOIT PhD,MBA,B.ED,ACCA</p>	<p><u>HEAD OF STRATEGY AND BUSINESS DEVELOPMENT</u> Dr Linah Boit was born on 6th Sept 1970 and is in charge of Strategy and Business Development docket at NKCC</p>

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 <p>MS. SHEILA AKALA M.SC,B.COM,MCIPS</p>	<p><u>HEAD OF PROCUREMENT</u> Ms. Sheila Akala was born on 11th December 1981 and is the head of Procurement Department at NKCC.</p>
 <p>MR. DUNCAN MAINA BSC ENGINEERING</p>	<p><u>HEAD OF ENGINEERING</u> Mr. Duncan Maina was born on 5th November 1982 and is in charge of Engineering Department at New KCC.</p>

V. CHAIRMAN'S STATEMENT

Reflecting on a Year of Progress and Resilience in the Dairy Industry

The financial year 2022/2023 financial brought both opportunities and challenges, but our unwavering commitment to delivering value to all stakeholders has remained at the forefront of our operations.

Our strong partnership with the dairy farmers continues to be a cornerstone of our success. Beyond competitive pricing and timely payments, we have empowered our farmers through the provision of modern farming techniques, skill training, and financial linkage support. By strengthening our extension services platform and expanding the presence of skilled field service officers and coordinators, we have not only witnessed improved milk yields but also enhanced the livelihoods of our esteemed farmers. As a result, in this financial year, we recorded a notable increase in the milk pay-out to the dairy farmers of about Kshs 4 Billion.

A remarkable accomplishment is the successful modernization of our Nyahururu and Kiganjo facilities, supported by government collaboration. This reflects our dedication to the dairy industry, which offers a ready market for dairy farmers, averts losses at the farm level, and contributes to overall sustainability. This programme stands as a testament to our commitment to ensuring a resilient and advanced dairy industry. This is in line with economic transformation agenda (BETA) and dairy sector reforms.

We extend our gratitude to the National Government for their unwavering support. The dairy sector holds a pivotal place in the government's bottom-up economic transformation agenda (BETA), and the transformative reforms as spelled out by the current administration are set to fulfil the aspirations of our dairy farmers and benefit many other stakeholders along the value chain.

In the spirit of collaboration, we are fully committed to working closely with all stakeholders along the dairy value chain to tackle challenges, drive sustainable growth, and deliver value. Our focus is on excellence, innovation, efficiency, and consistent stakeholder value.

Our sincere appreciation goes out to the National Government, Ministry of Cooperatives and MSME Development and other government agencies for their unwavering support and guidance.

Lastly, none of our achievements would have been possible without the steadfast partnership and support of our farmers, customers, and well-wishers. Your contributions have been instrumental in our journey. Together, we will conquer challenges and seize opportunities ahead.

Thank you.



Mr. David Maina Kamiru

Board Chairman

VI. REPORT OF THE MANAGING DIRECTOR

Navigating progress amidst challenges

In the financial year under review, 2022/2023, we overcame hurdles, including a prolonged drought and a challenging socio-economic climate that afflicted our raw milk catchment areas. In spite of these, I am pleased to report significant achievements and strategies that enabled our success during this period of turbulence.

Our commitment to dairy farmers stood strong amidst the drought. Our farmer extension services support programme resulted in the processing of over 71 million litres of raw milk. This led to an impressive milk payout of close to Kshs 4 billion to our dairy farmers.

Despite the demanding market conditions, our adaptability shone through. Our sales turnover reached Kshs 7.7 billion, showcasing our dedication to fulfilling customer needs.

The over billion-shilling modernization project remained on course; previously upgraded facilities were Eldoret, Sotik, and Dandora, boosting capacity and efficiency. Further, completion was achieved in Nyahururu and Kiganjo. Kitale, Miritini, and the new facility in Nyambene, Meru County, which is still ongoing.

At the tail end of the financial year, we launched the ECDE school milk programme in partnership with Uasin Gishu County, targeting over 40,000 learners. Camel milk powder and Gold Crown Life drinking water are among our new upcoming products in response to diverse customer preferences.

Investment in our workforce continued, with training and capacity building to adapt to a dynamic business landscape.

As a state corporation, compliance remained central. We have prioritised compliance with all statutory and regulatory requirements. We dedicated 30% of our budget to opportunities for youth, women, and PWDs, aligned with the PPAD Act 2015. This resulted in Kes 220 million being spent against a budget of Kes 217 million.

Aligned with 'Buy Kenya, Build Kenya', we awarded contracts worth Kes 3.2 billion to local suppliers, exceeding the Kes 1.87 billion target.

Our customer-centric strategy was a success. We maintained an active online presence, responsive customer service channels, and a strong complaint handling mechanism, which resulted in continual positive and favourable reviews for our services.

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Appreciation

My sincere appreciation goes to our esteemed stakeholders for their unwavering support. Special acknowledgment to the National Government, county governments, our ministry, the board of directors, and our committed staff for their invaluable contributions to our achievements

Guided by our principle of delivering life's goodness every day, we're poised to tackle future challenges and embrace new prospects.



Mr. Nixon Sigey MBS.

Managing Director

VII. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

NKCC has Five (5) strategic objectives within the current Strategic Plan for the 2017-2022 FY. These strategic objectives are as follows:

- Strategic Objective 1: To Grow Revenue by 10% Annually
- Strategic Objective 2: To Increase Profit before Tax by 15% annually
- Strategic Objective 3: To maintain high levels of customer satisfaction
- Strategic Objective 4: To increase production output with an annual growth rate of 10%
- Strategic Objective 5: To Strengthen Institutional Capacity Building

NKCC develops its annual work plans based on the above five (5) Strategic Objectives. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. NKCC achieved its performance targets set for the FY 2022/2023 period for its 5 strategic pillars, as indicated in the diagram below:

Below is a summary of key achievements under each strategic objective.

Strategic Objective	Objective	Achievement
<p>Strategic Objective No:1</p> <p>To Grow revenue by 10% annually</p>	<p>Establish strong distribution systems</p> <p>Enhance brand visibility</p> <p>Establish a competitive and affordable product offering</p>	<p>Revenue grew from Kshs. 34.5B in the Period 2012-2017 to KShs. 54.3B in 2017-2022 representing 57% growth. This growth is attributed to, among others the following:</p> <ul style="list-style-type: none"> • NKCC introduced a distribution model of Super Distributors that now stands at twenty-four (24). These are distributors with a strong financial muscle and are able to cover a large segment without financial challenges. • In the year 2020 the Government imposed a ban on raw and powdered milk imports to protect local industries from cheap imports which have been diluting the market. • NKCC has a reliable and efficient fleet of vehicles for transportation purposes both company owned and contracted • Development and introduction of Lactose free products, Natural Yoghurt, sweetened mala, fat free milk and bottled water into the market created new streams of revenue

Strategic Objective	Objective	Achievement
<p>Strategic Objective No: 2</p> <p>Increase profit before Tax by 15% annually</p>	<p>Revenue Enhancement</p> <p>Cost Management</p> <p>Enhance Risk mitigation measures in business environment</p> <p>Cash flow management</p>	<p>During the Strategic Plan period 2017-2022 NKCCNKCC implemented a raft of measures, some of which include;</p> <ul style="list-style-type: none"> • Energy management with a cost reduction of Kes. 307 Million from the year 2022. Reduction of utility costs of KPLC electricity and thermal electrical energy, steam generation costs were achieved using renewable energy. Further savings on water were realized through sinking of boreholes and water re-use. • Bank interest rates were negotiated from 12.5% to 11.5% and M-Pesa charges from 1.5% to 1%.
<p>Strategic Objective No 3:</p> <p>To maintain high level of customer satisfaction</p>	<p>Develop & maintain local market-Push strategy</p>	<ul style="list-style-type: none"> • Research and product development unit actively involved in new product development. • Implemented tracking system that improves customer service • Corporate Social Responsibility programs were undertaken
Strategic Objective	Strategies	Achievements
<p>Strategic Objective No:4</p> <p>Increase production output at an annual growth rate of 10%</p>	<p>Ensure adequate raw milk supply</p> <p>Enhance processing capacity utilization across network</p>	<ul style="list-style-type: none"> • Achievement in milk processing was at an average of 87% of target in the period. • NKCC developed and implemented a transparent pricing model for raw milk procurement which saw increased confidence from the farmers • On quality matters, NKCC continued to sustain and implement ISO 22000:2018 Food Safety Management Systems and ISO 9001:2015 Quality

Strategic Objective	Strategies	Achievements
	<p>Enhance quality assurance in all processes along the value chain</p>	<ul style="list-style-type: none"> Management System Modernization of factories has improved efficiencies. Processing capacity increased from 700,000 litres per day in 2017 to the current 875,000 litres. NKCC continues to modernize its factories in a bid to reduce maintenance cost. Further, NKCC renovated and or built stores in various locations. This provided more space for finished goods and hence efficient stores management.
<p>Strategic Objective No: 5 Enhance Institutional Capacity Development</p>	<p>Establish a highly productive human resource</p>	<ul style="list-style-type: none"> Institutional policies were reviewed and implemented. These include Human resource, Finance, Procurement, ICT, land management policies among others. Further, NKCC organization structure and Human Resource instruments (schemes of service and job descriptions) were approved by State Corporations Advisory Committee (SCAC). These helped to streamline operations at the Company. Continuous training of Board members and Management on corporate Governance and leadership was undertaken as per the Mwongozo Code of Conduct for State Corporations. This ensured harmonious relationship between the Board and Management in running the affairs of the Company. Further, NKCC entered into partnership with Kenya School of government to train staff on performance management. This is a gateway to instilling a culture of high performance amongst staff NKCC leverages on a robust ICT system in carrying out its processes. The system has been integrated with M-PESA and bank platforms

VIII. CORPORATE GOVERNANCE STATEMENT

PART A: Core Statements

Vision: To be the market leader in quality refreshing dairy products in East and Central Africa.

Mission: New KCC is committed to provide quality dairy beverage and food products and services that are of international standing through sustainable innovation and value chain management.

Core Values

- Integrity
- Loyalty
- Innovativeness
- Quality

PART B: Corporate Governance Statements

Introduction

New KCC understands the importance of good corporate governance to ensure maximum value for all its stakeholders, as well as maintaining business integrity and stakeholder confidence.

In addition, the Company strives to act in accordance with the Laws of Kenya and in full appreciation of the diversity of the Kenyan people.

It has in place a Code of Conduct which is in conformity with the highest standards of integrity, honesty and ethics, in its dealings with stakeholders including government, directors, employees, customers, suppliers and the society at large. It also clearly spells out the policies and guidelines regarding employees' personal conduct.

It is expected that at all times, the Board of Directors and Employees of New KCC will act with honesty, integrity, transparency and justice.

Board Composition

The Board comprises Twelve members whose unique skills, knowledge and experience collectively contribute to the running of the company and corporate governance. Among them is the Chairman, who is appointed by the President and remaining directors who are appointed by the Cabinet Secretary, Ministry of Ministry of Co-operatives & Micro, Small & Medium Enterprises (MSME) Development (State Department for Co-operatives).

The Board and its Role

The New KCC Board of Directors is mandated to provide clear definitions of the Company's objectives and values as a whole, ensuring that proper procedures and practices are put in place to protect the company's assets and reputation, and that at all times, their conduct is in line with their duties and responsibilities to the company.

The Board holds quarterly meetings with provisions for special board meetings whenever circumstances demand.

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Board Committees

The State Corporations Act permits the Board to set up committees consisting of Board Members and Departmental Heads, who are tasked with assisting the Board in the execution of its duties and authorities, and as defined by the Board.

These committees are -

- i) Marketing & Logistics Committee
- ii) Audit Committee
- iii) Finance & General Purposes Committee
- iv) Technical Committee

BOARD MEETING	NO. OF MEETINGS	MEMBERSHIP CONSTITUTION/ ATTENDANCE	AVERAGE %
Full Board meeting	Four (4) - (Annually)	12 Members	100%
Technical Committee Meeting	Four (4) –(Annually)	6 Members	100%
Marketing & Logistics Committee meeting	Four (4) – (Annually)	7 Members	100%
Finance & General Purposes Committee Meeting	Four (4) – (Annually)	5 Members	100%
Audit Committee Meeting	Four (4) – (Annually)	5 Members	100%
Annual General meeting	One (1) - (Annually)	12 Members	100%
Special Board meeting	Two (2) - (Annually)	12 Members	100%

PROCESS OF APPOINTMENT OF BOARD OF DIRECTORS.

The process of appointment of Board Directors shall be as provided for under Section 6 (2) of the State Corporations Act (as hereunder) and New KCC is bound by the said provisions by virtue of been a State Owned Corporation.6(2) Every appointment under subsection (1)(a) and (e) shall be by name and by notice in the Gazette and shall be for a renewable period of five years or for such shorter period as may be specified in the notice, but shall cease if the appointee—

(a) serves the Minister with written notice of resignation; or (b) is absent, without the permission of the Minister notified to the Board, from three consecutive meetings; or (c) is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding two thousand shillings; or (d) is incapacitated by prolonged physical or mental illness from performing his duties as a member of the Board; or (e) conducts himself in a manner deemed by the Minister, in consultation with the Committee, to be inconsistent with membership of the Board.

PROCESS OF REMOVAL OF BOARD OF DIRECTORS

The process of removal of Board Directors shall be as provided for under Section 7 of the State Corporations Act (as hereunder) and New KCC is bound by the said provisions by virtue of been a State Owned Corporation.

(7.) Power to issue directions and to remove Board

(1) The President may give directions of a general or specific nature to a Board with regard to the better exercise and performance of the functions of the state corporation and the Board shall give effect to those directions. (2) Notwithstanding subsection (1), directions under this section may require that the memorandum and articles or any other documents establishing a state corporation, be amended to conform with any requirement of this Act where the same is inconsistent therewith. (3) Notwithstanding the provisions of any other written law or the articles of association establishing and governing a Board, the President may, if at any time it appears to him that a Board has failed to carry out its functions in the national interest, revoke the appointment of any member of the Board and may himself nominate a new member for the remainder of the period of office of that member or he may constitute a new Board for such period as he shall, in consultation with the Committee, determine.

SUCCESSION PLAN FOR DIRECTORS

The appointing Authority for Board of Directors in a State owned Corporation is the Cabinet Secretary and the President of Kenya for a Board Chairman. The mandate on succession planning will therefore rest in the said offices for appointments of Board of Directors.

BOARD REMUNERATION

Board remuneration shall be as provided for in the Guidelines on Terms and Conditions of Service for State Corporations dated 23rd November, 2004 (Annex IV) as read with Circular No.OP/SCAC.9/21/2A and No.OP/SCAC.9/21.2 VOL.1 (164)

BOARD CHARTER

The Board charter of NKCC details the role of the board, board size and composition, the role of chairman, directors, board meetings, board committees, calling and procedure of board meetings.

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IX. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

1.0 TRADING RESULTS

Below is a summary of the company's financial performance for the Twelve Months' period ended 30th June 2023. It highlights the performance of the company in comparison with the set Budgets and the prior-year results.

Table 1: Summary Financial Results for the period ended 30.06.2023

2022/2023 FINANCIAL SUMMARY	Actual	Budget	Variance Against Budget	Actual	Variance against Prior Year
	July'22- June'23	July'22- June'23		July'21- June'22	
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
Income					
Sales Revenue	7,586,596	11,873,463	(4,286,867)	8,493,089	(906,493)
Govt Grant(Restricted)	200,950	-	200,950	160,302	40,648
Other Income	13,534	36,000	(22,466)	80,458	(66,923)
Total Income	7,801,080	11,909,463	(4,108,383)	8,733,848	(932,768)
Cost of sales					
Total Cost of sales	6,222,196	8,412,071	(2,189,875)	6,577,852	(355,656)
Gross Profit	1,364,400	3,461,392	(2,096,992)	1,915,237	(550,837)
Gross Profit Margin	18.0%	29.2%	-11.2%	22.6%	-4.6%
Operating Expenses					
Administration Expenses	933,863	1,717,967	(784,104)	978,499	(44,636)
Selling & Distr Expenses	906,609	1,026,401	(119,793)	892,911	13,698
Finance Costs	175,376	201,600	(26,224)	150,986	24,390
Depreciation & Amortization	556,996	-	-	425,614	131,382
Net Profit/Loss Before Tax	(993,959)	551,423	(1,545,382)	(292,014)	(701,946)

The company registered Kshs.993.9 Million pre-tax loss for the Twelve months' period ended 30th June 2023. This performance was Kshs 1.5 Billion below the budgeted pre-tax profit of Kshs 551.4 Million. The below budget performance was as a result of a shortfall in revenue by Kshs. 4.2 Billion and the high cost of raw milk which increased by Kshs 1.1 Billion compared to the budget on the account of price.

1.1 Total Income

From the above, it is noted that the Income of the company is below Budget by Kshs 4.1 Billion. This is attributed to the shortfall in sales revenue by Kshs. 4.2 Billion during the period. Fresh milk contributed to 25% of total revenue achieved with an average margin of 22%, Long life TFA, TCA and ESL contributed to 56% of total sales with an average margin of 8%. Mala and Yoghurt contributed to 15% of total sales with an average margin of 21%. The other high value products contributed to 4% of total sales with an average margin of 28%. The restricted Government grant of Kshs 200 Million reported as Income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 20 of the reporting standards.

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1.2 Cost of Sales

The cost of sales for the period was Kshs 6.2 Billion against a budget of Kshs 8.4 Billion. This expenditure was below budget by Kshs 2.2 Billion. During the period, we witnessed a decrease in the cost of sales compared to the same period last year mainly due to raw milk intake shortfall during the period under review.

1.3 Gross Profit

The company recorded a gross profit margin of 18% for the period under review compared to a budget of 29.2% hence a shortfall of 11.2%. This is mainly attributed to the shortfall in sales revenue, increase in the cost of goods sold and some SKUs recorded margins below 15%. For instance, Taifa Fresh 250ml had 6%, Fresh Aseptic Long life (ESL) 500ml had 7% margins each; TFA Taifa Fresh 500ml had a 6% margin, TFA KCC Fresh 500ml had 10% margin and TFA Gold Crown 500ml had 10% margin. These products effectively reduced the average margins which in turn reduced the ability to absorb increased overhead costs.

2.0 ANALYSIS OF KEY EXPENDITURES

3.1 Raw Milk

This is one of the key raw materials used by the company and it is the highest cost of production for the entity. During the period ended 30th June 2023, raw milk supplied and the amount paid was as below:

Table 2: Analysis of Raw Milk Intake Figures and Pay-out Summary for the Period ended 30th June 2023.

Period	Actual Lts 2022/23	Budget Lts 2022/23	2022/23 Actual Payout	2022/23 Budget Payout	Actual Lts 2021/22	Actual Average price/Litre (22/23)	Actual Average price/Litre (21/22)
July	7,068,333	10,376,929	377,764,801	415,077,160	9,273,852	53.4	46.4
Aug	5,846,262	10,427,035	313,428,504	417,081,416	8,071,849	53.6	43.1
Sept	5,856,005	10,093,098	318,401,364	413,817,026	6,865,011	54.4	45.4
Oct	6,276,425	10,610,023	341,760,105	429,705,920	7,164,276	54.5	46.4
Nov	6,239,444	10,849,507	344,062,851	428,555,522	7,141,329	55.1	47.0
Dec	6,321,889	11,333,966	349,256,614	447,691,667	7,793,322	55.3	48.5
Jan	6,473,070	11,138,558	362,883,213	445,542,305	7,241,836	56.1	48.9
Feb	4,895,307	10,135,224	284,300,692	405,408,847	5,953,439	58.1	49.7
Mar	4,430,229	9,847,495	259,123,372	398,823,543	5,498,670	58.5	49.8
April	5,527,116	9,530,681	322,578,868	390,757,913	4,128,923	58.4	52.4
May	6,401,786	9,914,829	365,113,267	406,507,979	5,254,845	57.0	53.8
June	5,877,644	10,334,255	323,191,921	413,370,203	8,181,496	55.0	53.4
Total	71,213,510	124,591,597	3,961,865,572	5,006,339,500	82,568,848	55.8	47.2

The company managed to collect 71.2 Million litres of milk against a budget of 124.5 Million litres at an average cost of Kshs 55.8 per litre. The total payout for the period was Kshs 3.961 Billion against a budgeted payout of Kshs 5 Billion. The payout was higher by 1.1 B against budget due to increase in unit price per litre by Ksh 15.5 compared to the budgeted figure of Ksh 40.3. The intake levels

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dipped during the period due to unfavourable weather which affected the production at the farm level. However, compared to the prior year, there was a decrease in the collection by 11.3 Million litres.

SECTION B

Entity's compliance with statutory requirements

The Organization is fully compliant of all statutory obligations and there are no major compliance issues that may expose the company

SECTION C

Key projects and investment decisions the entity implemented

1.	NYAMBENE PLANT
	(a) Construction of a new dairy plant with Sub Depot
2.	DANDORA COMPLEX
	a) Construction of Sales Depot Store and Sales Shop
	b) Supply, Install and Commission Yoghurt Processing Tanks

SECTION D

Major risks facing the entity

Capital Risk

The company manages its capital to ensure that it is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the company consists of cash and cash equivalents, equity attributed to equity holders and debt.

Financial Risk

The company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the company's business and operational risks are an inevitable consequence of being in business. The company's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The company's overall risk management programme focuses on the unpredictability of changes in the business environment and seeks to minimize potential adverse effects

of such risks on its financial performance within the options available by setting acceptable levels of risks.

Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The activities of the company expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. There has been no change to the company's exposure to market risks or the manner in which it manages and measures the risk.

Credit Risk

Credit risk refers to the risk of financial loss to the company arising from a default by counterparty on its contractual obligations. The company's policy requires that it deals only with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by debt control unit.

Trade receivables consist of major players in the dairy industry. Ongoing credit evaluation is performed on the financial condition of accounts receivable and where appropriate, credit guarantee is requested.

X. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

New KCC exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

a) Sustainability strategy and profile.

New KCC employs various strategies to enable it operate within limited financial resources to ensure sustainability of its operations. The Company is in business of buying raw milk from farmers, processing it into various milk and dairy products and selling these products to consumers.

b) Environmental Performance.

As a company whose raw product depends heavily on climatic conditions, New KCC has taken deliberate efforts to reduce its carbon footprint including use of recyclable packaging material for some its products and use of outsourced steam generation at all our major processing facilities that has cut energy costs by up to 30%.

c) Employee welfare.

We are continually equipping our staff with relevant skills and knowledge to enable us to meet the demands of an ever-changing business environment and offer competitive salaries commensurate with one's skills and experience.

In line with our policy on safety in the workplace, New KCC has complied with all relevant laws on health and safety in the workplace and has put in place adequate controls and resources to ensure a safe and healthy working environment for all its employees. In the past year, All our locations are corruption-free zones and have put in place measures such as reporting boxes for members of the public to anonymously report any suspected cases of corruption. Also displayed at all our locations and available on our digital platforms and in braille format, is our citizen's service delivery charter that outlines our services and the standards we have committed to upholding while delivering these services to members of the public.

Ours is to deliver 'Life's goodness everyday'.

d) Market Place Practices

All NKCC locations are corruption-free zones and have put in place measures such as reporting boxes for members of the public to anonymously report any suspected cases of corruption. Also displayed at all our locations and, also available on our digital platforms, is our citizen's service delivery charter that outlines our services and the standards we have committed to uphold while delivering these services to members of the public.

NKCC operates a robust distribution model that ensures all our products reach to the market place in good time. NKCC has contracted suppliers/farmers who deliver raw milk to our cooling plants and factories and are paid within stipulated time stated I their contracts.

To ensure consumer rights and interests are safeguarded, our quality policy reaffirms our commitment to delivering products that are made to the highest standards and continually

improving on our processes in a way that is not only innovative but sustainable. New KCC is ISO 9001:2015 certified for Total Quality Management Systems, further underscoring our commitment to adhering to not just local quality standards but have also benchmarked against international best practices.

With the widest range of quality dairy products, we have taken steps to ensure that our products are available in various packaging and size, to meet the needs of our consumers at every socio-economic level without compromising on quality.

e) Corporate Social Responsibility / Community Engagements

At New KCC, we embrace corporate social responsibility as a cornerstone of our business. Our active engagement in diverse initiatives, including community utility projects, environmental conservation, food drives, medical camps, and sports events, demonstrates our commitment to enhancing community well-being.

As climate conditions are a factor in our business, we engage in clean-up and tree planting efforts, recognising the vital link between our raw materials, products, and climatic conditions. By supporting sports, we encourage healthy lifestyles and talent development. Our tangible actions reflect our dedication to creating a harmonious balance between business success and social progress, paving the way for a sustainable and inclusive future.



New KCC donates milk to G.K Prisons.
exercise.



New KCC staff during a tree planting

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New KCC donates milk to a Children's home.

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XI. REPORT OF THE DIRECTORS

The Directors submit their report together with the un-audited financial statements for the year ended June 30, 2023 which show the state of the company's affairs.

Principal activities

The company's principal activity is buying, processing, selling and distribution of milk and milk products.

Results

The results of the New KCC Ltd for the year ended June 30, 2023 are set out on page 1-46. Below is summary of the profit or loss made during the year.

	Kshs
Profit Before Taxation	(993,959,389)
Taxation Charge/Credit	276,834,671
Profit after Taxation	(717,124,718)

Dividends

Subject to the approval of the shareholders, the Directors do not recommend the payment of dividends for the year.

Directors

The members of the Board of Directors who served during the year are shown on page II.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Irene Mbiti
Company Secretary
Nairobi

Date... 21/09/23

XII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Companies Act Chapter 486 require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the of the company at the end of the financial year/period and the operating results of the company for that year/period. The Directors are also required to ensure that the company keeps proper accounting records, which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act chapter 486. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2023, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and are aware of the material uncertainty caused by the negative working capital position, the reported loss and the slow recovery from the Covid-19 pandemic and prolonged drought. The Directors acknowledge that the continued existence of the Company as going concern depends on the measures that the Directors will put in place to return the Company to profitable operations and positive working capital. On the basis of the strategic plan set out in statement of performance against predetermined objectives for fy 2022/2023 of the financial statements and the financial support we have received from the Government of Kenya, the Directors believe that the Company will remain a going concern for at least the next twelve months from the date of this report.

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Approval of the financial statements

The Company's financial statements were approved by the Board on _____ 2023 and signed on its behalf by:



Mr. David Maina Kamiru

Chairman



Nixon Sigey

Managing Director

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NEW KENYA CO-OPERATIVE CREAMERIES LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the New Kenya Co-operative Creameries Limited set out on pages 1 to 53, which comprise of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of

Report of the Auditor-General on New Kenya Co-operative Creameries Limited for the year ended 30 June, 2023

comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of New Kenya Co-operative Creameries Limited as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1. Lack of Ownership Documents and Valuation

The statement of financial position reflects balances of Kshs.307,500,000 and Kshs.3,305,191,462 in respect to freehold land and leasehold land, respectively as disclosed in Notes 15 and 16 to the financial statements. However, the ownership documents for land measuring four (4) acres donated to the Company by Igento Farmers' Cooperative Society for the establishment of a milk processing plant in Igembe Central, Meru County were not provided for audit.

Further, the value of four (4) other parcels of land was not disclosed in the financial statements while another seventeen (17) disputed parcels of land and which had not been valued were registered in the names of third parties. The legal status of the properties has not been determined. Although, Management explained that the Company had initiated legal proceedings besides engaging the National Land Commission and Ministry of Lands on the matter with a view to recovering the disputed properties, no tangible change in status of the parcels of land has been attained so far.

In addition, as previously reported, out of 32.94 acres of the parcel on which the Miritini milk processing factory is located, a five (5) acre parcel of land has been encroached by informal settlers some of whom have already built residential and other structures. As a result, ownership of the occupied parcels of land by the Company as well as those registered in the names of third parties is at risk.

In the circumstances, the valuation and ownership of freehold and leasehold land balances of Kshs.307,500,000 and Kshs.3,305,191,462 respectively both totalling to Kshs.3,612,691,462 could not be confirmed.

2. Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.1,340,349,184 as disclosed in Note 19(a) to the financial statements. However, review of documents relating to trade receivables revealed the following anomalies;

- i. The balance includes trade receivables of Kshs.919,478,341, out of which Kshs. 378,095,375 has been outstanding for more than 120 days.

- ii. Further, the balance includes insurance debtors of Kshs.190,106,675 which relates to claims which have not been settled by the Company's insurers.
- iii. The Company has made a provision for bad and doubtful debts of Kshs.368,848,619. However, the provision may not be adequate given the trend of the retail sector which is predominantly supermarkets which are unregulated.

In the circumstances, the accuracy and completeness of trade and other receivables balance of Kshs.1,340,349,184 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the New Kenya Co-operative Creameries Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Material Uncertainty Related to Going Concern

Note B(i) to the financial statements indicates that the Company recorded a loss before tax of Kshs.717,124,718 (2022: Kshs.221,559,183). Further, the Company's current liabilities exceeded the current assets by Kshs.1,039,739,436 (2022: Kshs. 710,428,816) an indication of negative working capital.

In addition; the statement of profit or loss and other comprehensive income reflects finance costs of Kshs.175,375,978 which includes interest expenses on loans and bank overdrafts of Kshs.82,932,977 and Kshs.59,855,168 respectively both totalling Kshs.142,788,145 (2022: Kshs.113,389,582) as disclosed in Note 8 to the financial statements. It is evident that the Company heavily relied on bank loans and overdrafts during the year under review.

These events or conditions, indicate that a material uncertainty exists that cast significant doubt on the Company's ability to continue as a going concern.

2. Long Outstanding Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.2,989,160,418 as disclosed in Note 29 to the financial statements . However, included in this balance is Kshs.363,191,729 which was overdue for over 120 days. Failure to settle the debts when they fall due may attract interest and may also affect the operations of the entity if the suppliers stop supplies due to non-payment of debts when they fall due.

3. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget

and actual on a comparable basis of Kshs.11,909,463,083 and Kshs7,801,080,378 respectively resulting to an under-funding of Kshs.4,108,382,705 or 34% of the budget. Similarly, the Company expended Kshs.8,795,039,767 against an approved budget of Kshs.11,358,040,293 resulting to an under-expenditure of Kshs.2,563,000,526 or.23% of the budget. Further, the Company had an unbalanced budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to

believe that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report based on my audit that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Kenyan Companies Act, and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.



FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 March, 2024

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XIV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2022-2023 KShs	2021-2022 KShs
REVENUES			
Sales/Turnover			
Cost of Sales	1	7,586,595,788	8,493,089,151
Gross profit	2	(6,222,196,094)	(6,577,851,712)
OTHER INCOME			
Grants from National Government			
Other Income	3	200,950,252	160,301,760
Finance Income	4	13,534,338	80,457,537
TOTAL OTHER INCOME	5	-	-
		214,484,590	240,759,297
OPERATING EXPENSES			
Administration Costs			
Selling and Distribution Costs	6(a)	933,863,269	978,498,731
Finance Costs	7	906,608,889	892,911,114
Depreciation of property, plant and equipment	8	175,375,978	150,985,675
Amortisation of Intangible Assets	13	551,291,364	420,869,809
Amortization of Leasehold land	14	1,472,142	512,418
	16	4,232,031	4,232,031
TOTAL OPERATING EXPENSES		2,572,843,673	2,448,009,778
PROFIT/(LOSS) BEFORE TAXATION		(993,959,389)	(292,013,042)
INCOME TAX EXPENSE/(CREDIT)	10	276,834,671	70,453,859
PROFIT/(LOSS) AFTER TAXATION		(717,124,718)	(221,559,183)
Earnings per share – basic and diluted	11	(13.11)	(4.05)
Dividend per share	12	(2.62)	(0.81)
OTHER COMPREHENSIVE INCOME			
Profit/ (Loss) after taxation		(717,124,718)	(221,559,183)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(717,124,718)	(221,559,183)

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XV. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

ASSETS			
Non-Current Assets			
Property, plant and equipment	13	6,484,481,242	7,089,304,006
Intangible assets	14	2,975,694	162,836
Freehold land	15	307,500,000	307,500,000
Leasehold Land	16	3,305,191,462	3,345,117,066
Investment property	17	6,456,475	6,456,475
Deferred Tax	28	157,731,145	-
Total Non-Current Assets		10,264,336,019	10,748,540,383
Current Assets			
Inventories	18	1,257,123,877	1,388,588,702
Trade and other receivables	19	1,340,349,184	1,886,454,901
Tax recoverable	20	-	-
Bank and cash balances	22	201,664,310	29,672,403
Total Current Assets		2,799,137,370	3,304,716,006
Total Assets		13,063,473,389	14,053,256,389
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	23	547,028,870	547,028,870
Revaluation reserve	24	4,989,328,896	5,649,603,169
Retained earnings	26	659,282,113	1,376,406,830
GOK Grant		1,888,340,538	1,889,290,790
Capital and Reserves		8,083,980,417	9,462,329,659
Non-Current Liabilities			
Borrowings	27	440,616,166	453,249,774
Deferred tax liability	28	-	122,532,133
Related Party Balances	34	700,000,000	-
Total Non-Current Liabilities		1,140,616,166	575,781,907
Current Liabilities			
Borrowings	27	201,027,203	182,671,287
Trade and other payables	29	2,989,160,418	2,485,127,038
Retirement benefit obligations	30	59,428,814	62,549,201
Provision for leave pay	31	25,578,233	27,427,014
Related Party Balances	34	-	700,000,000
Tax Payable	20	2,160,521	266,520
Bank Overdraft	22(a)(I)	561,521,618	557,103,762
Total Current Liabilities		3,838,876,806	4,015,144,822
TOTAL EQUITY AND LIABILITIES		13,063,473,389	14,053,256,389

The financial statements were approved by the Board on 20/09/2023 and signed on its behalf by:

Managing Director/CEO

Name:

NIXON SILET


Head of Finance

Name:

SAMUEL ICHURA

ICPAK M/NO: *H239*



Chairman of the Board

Name:

DAVID MARIARA KAMIRU

David Mariara

XVI. STATEMENT OF CHANGES IN EQUITY

At July 1, 2021	547,028,870	5,147,934,862	-	1,603,345,931	-	2,649,592,550	9,947,902,213
Revaluation gain	-	620,983,464	-	-	-	-	620,983,464
Transfer of excess depreciation on revaluation	-	(119,315,157)	-	-	-	-	(119,315,157)
Deferred tax on excess depreciation	-	-	-	-	-	-	-
Prior year adjustment-Deferred Tax	-	-	-	(44,451)	-	-	(44,451)
Prior year adjustment-Rebates	-	-	-	(5,335,467)	-	-	(5,335,467)
Total comprehensive income	-	-	-	(221,559,183)	-	-	(221,559,183)
Capital/Development grants received during the year	-	-	-	-	-	50,000,000	50,000,000
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
Dividends paid – 2020	-	-	-	-	-	-	-
Depreciation Write back on Gov't Grant	-	-	-	-	(160,301,760)	(160,301,760)	(160,301,760)
Interim dividends paid – 2020	-	-	-	(-)	-	-	(-)
Raw milk grant utilized	-	-	-	-	(650,000,000)	(650,000,000)	(650,000,000)
Proposed final dividends	-	-	-	(-)	-	-	-
At June 30, 2022	547,028,870	5,649,603,169	-	1,376,406,830	-	1,889,290,790	9,462,329,659
At July 1, 2022	547,028,870	5,649,603,169	-	1,376,406,830	-	1,889,290,790	9,462,329,659
Issue of new share capital	-	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-	-
Transfer of excess depreciation on revaluation	-	(388,156,091)	-	-	-	-	(388,156,091)

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Deferred tax on excess depreciation	-	-	-	-	-	-	-	-	-
Revaluation Adjustment	-	(272,118,182)	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	(272,118,182)
Capital/Development grants received during the year	-	-	(717,124,718)	-	-	-	-	-	(717,124,718)
Dividends paid – 2022	-	-	-	-	-	-	200,000,000	-	200,000,000
Depreciation Write back on Gov't Grant	-	-	-	-	-	(-)	(-)	(-)	(-)
Interim dividends paid – 2019	-	-	-	-	-	-	(200,950,252)	(200,950,252)	(200,950,252)
Raw Milk Grant Received	-	-	-	(-)	-	-	-	-	(-)
Raw milk grant utilized	-	-	-	-	-	-	500,000,000	500,000,000	500,000,000
Proposed final dividends	-	-	-	-	-	-	(500,000,000)	(500,000,000)	(500,000,000)
At June 30, 2023	547,028,870	4,989,328,896	659,282,113	-	-	-	1,888,340,538	8,083,980,417	-

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XVII. STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	33 (a)	919,166,595	2,481,261,709
Interest received	5	-	-
Interest paid	8	(175,375,978)	(138,194,771)
Dividends paid	33 (e)	-	-
Taxation paid	20	(1,534,606)	(309,560)
Net cash generated from/(used in) operating activities		742,554,152	2,342,757,378
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(298,931,118)	(557,682,823)
Purchase of Intangible asset	14	(4,285,000)	
Revaluation Reserve		(272,118,182)	(2,500,255,687)
Net cash generated from/(used in) investing activities		(575,334,300)	(3,057,938,510)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(202,973,425)	(171,910,282)
Proceeds from borrowings	33 (b)	208,695,731	461,911,234
GOK Grant Change		(950,252)	50,000,000
Net cash generated from/(used in) financing activities		4,772,054	340,000,952
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		171,991,906	(375,180,180)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	33 (c)	29,672,403	404,852,583
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	33 (c)	201,664,310	29,672,403

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XVIII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Sale of goods	11,873,463,083	-	11,873,463,083	7,586,595,788	(4,286,867,295)	64%
Sale of services	-	-	-	-	-	
Government grant - Writeback	-	-	-	200,950,252	200,950,252	100%
Donations in kind	-	-	-	-	-	
Finance Income	-	-	-	-	-	
Other income	36,000,000	-	36,000,000	13,534,338	(22,465,662)	38%
Total income	11,909,463,083	-	11,909,463,083	7,801,080,378	(4,108,382,705)	66%
Expenses						
Use of goods and services	7,968,710,471	-	7,968,710,471	6,222,196,094	1,746,514,376	78%
Administration cost	1,607,015,337	-	1,607,015,337	933,863,269	673,152,067	58%
Selling & Distribution Cost	1,009,133,488	-	1,009,133,488	906,608,889	102,524,599	90%
Depreciation & Amortization	511,580,998	-	571,580,998	556,995,536	14,585,461	97%
Finance cost	201,600,000	-	201,600,000	175,375,978	26,224,022	87%
Total expenditure	11,358,040,293	-	11,358,040,293	8,795,039,767	2,563,000,526	77%
Surplus for the period	551,422,790	-	551,422,790	(993,959,389)	(1,545,382,179)	

XIX. NOTES TO THE FINANCIAL STATEMENTS

A. GENERAL INFORMATION

New KCC Ltd was established under Company's Act and derives its authority and accountability from the Company's Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is buying, processing, selling and distribution of milk and milk products.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

B. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

The financial statements have been prepared in accordance with the PFM Act 2015; and Companies Act Cap 486, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

i) Going Concern

For the year ended 30th June 2023, the company recorded a loss before tax of Kshs 717,124,718 (2022: Kshs 221,559,183). Further, during the year ended 2023, the company's current liabilities exceeded the current assets by Kshs 1,039,739,436 (2022: Kshs 710,428,816) indicating a negative working capital. The directors consider that this represents a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. However, The Directors are aware of the material uncertainty caused by the negative working capital position, the reported loss and the slow recovery from the Covid-19 pandemic and prolonged drought which negatively impacted the company's performance. Further, the following factors also contributed to the adverse business performance;

- a) The prolonged drought affected the availability of raw milk and the price also increased significantly by 37.5% of the budgeted unit price. The shortage of the raw milk translated to business failure to meet the market demand during the year.
- b) Utility costs. The increase in electricity tariffs and high cost of fuel increased the cost of production.
- c) Production ingredients. The cost of production ingredients increased significantly during the period under review due to fluctuations in Kenya shillings and introduction of excise duty on key packaging materials and ingredients.

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The Directors acknowledge that the continued existence of the Company as going concern depends on the measures that the Directors will put in place to return the Company to profitable operations and positive working capital.

NKCC management will focus on the following keys areas in order to drive business back to profitability;

- a) Sales Revenue: Revamping sales to at least Kshs 950 million per month. This will be achieved through rapid implementation of sustainable distributor model across the network.
- b) Cost Management; The company has drilled boreholes in major factories in order to reduce cost on water used in production. The company has also enhanced factories using biomass boilers to four in order to reduce over reliance on furnace oil. The company has also diversified in the sourcing of packaging materials and production ingredients from various suppliers which the company has seen significant reduction in cost.
- c) Debt collection. The company's Daily Sales Outstanding has improved from 127 days to current 87 days. This is expected to continuously improve company's cash flow and consequently reverse the negative working capital.

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C. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.	Effective for annual periods beginning on or after 1 st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS I titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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Notes to the Financial Statements (Continued)

Application of New and Revised International Financial Reporting Standards (IFRS)

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2022-2023.

i) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized as Capital in the year in which the company actually receives such grants. However, the restricted Government grant of Kshs 200 Million reported as income relates to the depreciation charged on the assets acquired using the grant. This is as per the requirements of IAS 20 of the reporting standards.
- iii) **Finance income** comprises interest receivable from bank deposits, exchange gain and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement on receipt.
- vi) **Other income** is recognized as it accrues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

c) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations. Leasehold land is amortized over the number of years under lease. Upon revaluation, leasehold land is amortized over the remaining lease life period and any excess depreciation resulting from revaluation is transferred to revaluation reserve for the purposes of amortizing revaluation reserve.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings	5%
Motor Vehicles	25%
Industrial plant and machinery	12.5%
Office equipment	12.5%
Office Furniture & fittings	12.5%
Computers and accessories	33.3%
Loose tools	12.5%
Cans & crates	33.3%

Freehold land is not depreciated.

Depreciation charge is recognized from the date of asset purchase .

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation and impairment of property, plant and equipment (Continued)

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount. The revaluation reserve is being amortized annually at a rate of Kshs. 388,156,090 until the earlier of exhausting the amount of the revaluation reserve or another revaluation of assets is undertaken.

d) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses..

e) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

f) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the company, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

g) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated

depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

h) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

i) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

j) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

k) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

l) Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

m) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount

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expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

n) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred Tax

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

r) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

s) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees. The scheme is administered by an external administrator (Liberty Pensions and Britam) and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently

at Kshs.1,080 per employee per month.

t) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. At provision is made for the estimated liability for annual leave at the reporting date.

u) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

v) Budget information

The original budget for FY 2022-2023 was approved by the National Assembly in June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded nil additional appropriations on the 2021-2022 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xviii of these financial statements.

a) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

b) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

c) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

1. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 19.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 SALES/TURNOVER

Gross sales of goods	7,706,706,380	8,594,299,615
Gross sales of services	-	-
Less: Transport Rebates & Discounts	(120,110,591)	(101,210,464)
Total	7,586,595,788	8,493,089,151

2 COST OF SALES

Cost of sales on goods	6,222,196,094	6,577,851,712
Total	6,222,196,094	6,577,851,712

3 GRANTS FROM NATIONAL GOVERNMENT

Restricted Gov't Grant	200,950,252	160,301,760
Total	200,950,252	160,301,760

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortization equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

Ministry of Co-operatives & MSMES	-	-	700,000,000	700,000,000	50,000,000
Total	-	-	700,000,000	700,000,000	50,000,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 OTHER INCOME

Gain on Disposal	-	45,523,587
Rent Income	11,428,690	30,822,577
Other miscellaneous receipts	2,105,648	4,111,372
Total	13,534,338	80,457,537

5 FINANCE INCOME

Exchange gains on foreign current denominated loans	-	-
Exchange gains on short-term bank deposits	-	-
Exchange gains on cash and bank balances	-	-
Interest income on government securities	-	-
Interest income on short-term bank deposits	-	-
Total		-

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6 (a) ADMINISTRATION COSTS

Staff costs (note 5(b))	399,271,773	399,106,523
Directors' emoluments	13,661,333	11,256,664
Electricity and water	5,656,616	4,737,696
Communication services and supplies	11,230,527	14,782,940
Transportation, travelling and subsistence	99,023,208	95,490,177
Advertising, printing, stationery and photocopying	18,160,093	16,030,674
Rent and Rates	669,002	2,000,808
Staff training expenses	6,171,394	10,069,961
Hospitality supplies and services	13,293,927	16,358,129
Insurance costs	63,629,367	72,039,444
Bank charges and commissions	11,716,606	13,712,455
Office and general supplies and services	962,211	942,577
Auditors' remuneration	1,700,000	2,860,105
Legal fees	9,714,149	8,034,635
Consultancy fees	5,239,634	28,831,377
Repairs and maintenance	4,069,532	3,048,240
Provision for bad and doubtful debts	168,000,000	168,314,752
Other operating expenses	101,693,899	110,881,572
Total	933,863,269	978,498,731

6 (b) STAFF COSTS

Salaries and allowances of permanent employees	240,366,416	236,885,064
Wages of temporary employees	12,281,914	10,367,672
Compulsory national health insurance schemes	82,094,310	84,075,971
Compulsory national social security schemes	1,257,928	456,800
Other pension contributions	10,716,383	10,937,061
Leave pay and gratuity provisions	27,415,751	26,880,551
Staff welfare	25,139,071	29,503,405
Total	399,271,773	399,106,523
The average number of employees at the end of the year was:		
Permanent employees – Management	285	266
Permanent employees – Unionisable	764	681
Temporary and contract employees	491	679
Total	1,540	1,626

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7 SELLING AND DISTRIBUTION COSTS

Salaries and wages of sales personnel	339,642,993	325,159,544
Marketing and promotional expenses	114,133,579	91,541,105
Other selling and distribution costs	452,832,317	476,210,465
Total	906,608,889	892,911,114

8 FINANCE COSTS

Exchange losses on cash and bank balances	18,490,800	12,790,905
Mpesa Charges	14,097,032	24,805,188
Interest expense on loans	82,932,977	57,220,248
Interest expense on bank overdrafts	59,855,168	56,169,334
Total	175,375,978	150,985,675

9 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 4(b))	399,271,773	399,106,523
Depreciation of property, plant and equipment	551,291,364	420,869,809
Provision for bad and doubtful debts	168,000,000	168,314,752
Directors' emoluments – fees	13,661,333	11,256,664
Auditors' remuneration - current year fees	1,700,000	2,860,105
- prior year under-provision	-	-
Total	1,133,924,470	1,002,407,853

10 INCOME TAX (EXPENSE)/CREDIT

Current taxation

Current taxation based on the adjusted profit for the year	(3,428,607)	(9,246,773)
Current tax: prior year under/(over) provision	-	-
Current year deferred tax charge	280,263,278	79,700,632
Prior year under-provision for deferred tax	-	-
Total	276,834,671	70,453,859

11 EARNINGS PER SHARE

The earnings per share of (18.17) is calculated by dividing the loss after tax of Kshs. 993,959,389 by the average number of ordinary shares in issue during the year of 54,702,887. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

12 DIVIDEND PER SHARE

The Dividend per share of Ksh (3.63) is calculated by dividing 20% of the loss after tax of Kshs. 993,959,389 by the average number of ordinary shares in issue during the year of 54,702,887. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

At July 1, 2022	5,110,071,724	6,781,731,267	735,468,001	466,691,758	79,651,088	198,058,363	178,938,044	418,323,900	13,968,934,146
Additions		1,838,942	-	15,234,770	3,528,537	546,000	2,162,096	275,620,774	298,931,118
Transfers In from W.I.P	232,279,919	362,895,638						(595,175,557)	-
Revaluation									
At June 30, 2023	5,342,351,643	7,146,465,848	735,468,001	481,926,528	83,179,626	198,604,363	181,100,139	98,769,116	14,267,865,264
DEPRECIATION									
At July 1, 2022	2,515,631,267	2,936,535,869	673,628,475	429,495,155	38,921,518	180,989,678	104,428,180	-	6,879,630,142
Charge for the year	213,334,868	286,988,867	17,705,171	14,755,173	4,955,851	5,782,148	7,769,287		551,291,364
Transfer of excess Dep on Revaluation	43,075,907	309,386,610							352,462,517
Eliminated on disposal									
At June 30, 2023	2,772,042,041	3,532,911,346	691,333,646	444,250,328	43,877,368	186,771,827	112,197,467	-	7,783,384,023
NBV									
At June 30, 2023	2,570,309,602	3,613,554,501	44,134,355	37,676,200	39,302,257	11,832,536	68,902,672	98,769,116	6,484,481,242

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

At July 1, 2021	5,004,031,748	3,992,652,446	730,338,563	450,827,845	67,831,862	188,329,363	136,860,398	340,123,410	10,910,995,635
Additions	4,246,547	2,959,147	5,129,438	15,863,913	11,819,226	9,729,000	16,914,841	491,020,711	557,682,823
Transfers In from W.I.P	101,793,429	311,026,792						(412,820,221)	-
Revaluation	-	2,475,092,882	-	-	-	-	25,162,805	-	2,500,255,687
At June 30, 2022	5,110,071,724	6,781,731,267	735,468,001	466,691,758	79,651,088	198,058,363	178,938,044	418,323,900	13,968,934,146
DEPRECIATION									
At July 1, 2021	2,309,205,335	2,724,116,647	631,715,770	408,499,111	32,638,703	174,573,821	94,389,363	-	6,375,138,749
Charge for the year	163,350,025	171,873,545	41,912,705	20,996,044	6,282,815	6,415,857	10,038,817	-	420,869,808
Transfer of excess Dep on Revaluation	43,075,907	40,545,677							83,621,584
At June 30, 2022	2,515,631,267	2,936,535,869	673,628,475	429,495,155	38,921,518	180,989,678	104,428,180	-	6,879,630,142
NBV									
At June 30, 2022	2,594,440,458	3,845,195,398	61,839,526	37,196,603	40,729,571	17,068,685	74,509,863	418,323,900	7,089,304,004

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS

COST		
At July 1	234,947,771	234,947,771
Additions	4,285,000	-
Disposals	(-)	(-)
At June 30 th	239,232,771	234,947,771
AMORTISATION		
At July 1	234,784,935	234,272,517
Charge for the year	1,472,142	512,418
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30 th	236,257,077	234,784,935
NET BOOK VALUE		
At June 30 th	2,975,694	162,836

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 FREEHOLD LAND

Opening valuation	307,500,000	307,500,000
Movements during the year		
Additions	-	-
Transfer from operating lease rentals (note 18)	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	307,500,000	307,500,000
	=====	=====
AMORTISATION		
At July 1	-	-
Charge for the year	-	-
Disposals	(-)	(-)
Impairment loss	(-)	(-)
At June 30	-	-
NET BOOK VALUE		
At June 30 th	307,500,000	307,500,000
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 LEASEHOLD LAND

COST		
At July 1	3,810,925,307	3,883,175,220
Additions	-	-
Fair value gains/(losses)	-	-
Disposals	-	(72,249,913)
At June 30	3,810,925,307	3,810,925,307
AMORTISATION		
At July 1	(465,808,241)	(433,656,138)
Charge for the year	(4,232,031)	(4,232,031)
Excess Depreciation on Revaluation	(35,693,573)	(35,693,573)
Disposals	-	7,773,501
At June 30	(505,733,845)	(465,808,241)
NET BOOK VALUE		
At June 30	3,305,191,462	3,345,117,066

17 INVESTMENT

Opening valuation	6,456,475	6,456,475
Movements during the year		
Additions	-	-
Disposals	(-)	(-)
Fair value gains/(losses)	-	-
Closing valuation	6,456,475	6,456,475

	%	%	%	Shs	Shs	Shs
Uchumi Supermarket	100	0	100	8.41	6,456,475	6,456,475
	100	0	100	8.41	6,456,475	6,456,475

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 INVENTORIES

Finished Product	410,714,723	445,297,372
Work in Progress	5,049,374	5,778,797
Production Materials	259,300,209	316,405,066
Engineering Stores	533,577,503	565,117,042
Furnace oil, Gases and Lubricants	14,980,566	17,734,347
Motor vehicle spare parts	18,625,177	23,785,719
Stationery and general stores	14,876,325	14,470,358
	1,257,123,877	1,388,588,702

19 (a) TRADE AND OTHER RECEIVABLES

Trade receivables	919,478,341	1,484,280,490
Deposits and prepayments	257,972,181	63,575,846
VAT recoverable	515,688,227	481,859,888
Staff receivables	4,046,905	4,561,085
Chaka Property sale	-	110,000,000
Other Receivables	12,098	-
Rent Customers-Commercial	12,000,050	76,685,269
Other: Provision for bad and doubtful receivable	(368,848,619)	(334,507,677)
Net trade and other receivables	1,340,349,184	1,886,454,901

19 (b) TRADE RECEIVABLES

Gross trade receivables	919,478,341	1,484,280,490
Provision for doubtful receivables	(364,527,674)	(334,507,677)
	554,950,667	1,149,772,813
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	162,484,223	248,377,523
Between 30 and 60 days	8,170,631	64,121,254
Between 61 and 90 days	3,631,885	27,970,514
Between 91 and 120 days	2,568,553	24,145,660
Over 120 days	378,095,375	785,157,863
	554,950,667	1,149,772,813

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 (c) STAFF RECEIVABLES

Gross staff debtors	4,046,905	4,561,085
Provision for impairment loss	(4,320,945)	(4,006,193)
	(274,040)	554,892
Less: Amounts due within one year	-	-
Amounts due after one year	-	-

20 TAX RECOVERABLE/PAYABLE

At beginning of the year	(266,520)	7,394,118
Income tax charge for the year	(3,438,607)	(9,246,773)
Under/(over) provision in prior year/s		-
Income tax paid during the year	1,534,606	1,586,135
At end of the year	(2,160,521)	(266,520)

21 SHORT TERM DEPOSITS

Cooperative Bank of Kenya	-	-
Kenya Commercial Bank	-	-
	-	-

22 BANK AND CASH BALANCES

Cash at bank	193,156,174	22,199,531
Mpesa Utility	7,459,130	5,644,061
Cash in hand	1,049,006	1,828,811
	201,664,310	29,672,403

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22(a)BANK AND CASH BALANCES (Continued)

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

I. Current account(Overdraft)			
Cooperative Bank		(561,521,618)	(557,103,762)
Total		(561,521,618)	(557,103,762)
II. Current Account Cash Balances			
Kenya Commercial bank		190,491,335	18,023,961
Equity Bank		1,426,958	2,983,107
Standard Chartered Bank		841,736	171,906
CFC Stanbic Bank		395,695	16,895
Cooperative Bank USD A/c		451	1,003,662
Sub- total		193,156,174	22,199,531
a) Others(specify)		-	-
cash in hand		1,049,006	1,828,811
M pesa		7,459,130	5,644,061
Sub- total		8,508,136	7,472,872
Total		201,664,310	29,672,403

23 ORDINARY SHARE CAPITAL

Authorised:		
200,000,000 ordinary shares of Kshs.10 par value each	2,000,000,000	2,000,000,000
Issued and fully paid:		
54,702,887 ordinary shares of Kshs.10 par value each	547,028,870	547,028,870

This is the amount paid by the Government of Kenya to New Kcc 2000 Ltd, now for allotment for ksh 10 per share for 54,702,887 shares

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

25 FAIR VALUE ADJUSTMENT RESERVE

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

26 RETAINED EARNINGS

The retained earnings represent amounts available for distribution to the *entity's* shareholders. Undistributed retained earnings are utilised to finance the *entity's* business activities.

27 (a) BORROWINGS

Balance at beginning of the year	635,921,061	345,920,109
External borrowings during the year	-	-
Domestic borrowings during the year	208,695,731	461,911,234
Repayments of external borrowings during the year	-	-
Repayments of domestic borrowings during the year	(202,973,424)	(171,910,282)
Balance at end of the year	641,643,368	635,921,061
Less: Amounts due within one year (current portion)	201,027,203	182,671,287
Amounts due after one year (non-current portion)	440,616,166	453,249,774

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 (b) BORROWINGS (Continued)

The analyses of both external and domestic borrowings are as follows:

Domestic Borrowings		
Long Term Loan (co-op Bank)	-	-
Loan - Stanbic Asset finance facility	-	-
Loan - Co-operative Bank Asset Finance	361,643,368	275,921,062
Long Term Loan (co-op Bank)-Restructured	280,000,000	360,000,000
Total balance at end of year	641,643,368	635,921,062

28 DEFERRED TAX LIABILITY/LIABILITY

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at reporting date. Refer to summary of significant accounting policies, deferred tax. (Item m).

The movement on the deferred tax account is as follows:		
Balance at beginning of the year	122,532,133	200,599,389
Credit to revaluation reserve		
Under provision in prior year	-	1,633,376
Income statement charge/(credit)	(280,263,278)	(79,700,632)
Balance at end of the year	(157,731,145)	122,532,133

29 TRADE AND OTHER PAYABLES

Trade payables	2,655,665,479	2,178,892,972
Accrued expenses	122,525,153	101,397,731
Other payables	210,969,785	204,836,336
	2,989,160,418	2,485,127,038
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 RETIREMENT BENEFIT OBLIGATIONS

The entity operates a defined benefit scheme for all full-time employees which is administered externally by Liberty pensions and Britam. The company also operates a gratuity for its senior management who are on contract. The liability at the end of the year is as follows:

Gratuity for senior management	59,428,814	62,549,201

The report from the administrator for the defined benefits scheme as at 31st Dec 2022 is as follows:

Valuation at the beginning of the year	851,532,899	739,074,406
Changes in valuation during the year	31,971,464	112,458,493
Valuation at end of the year	883,504,363	851,532,899

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently to a maximum of Kshs.1,080 per employee per month.

31 PROVISION FOR LEAVE PAY

Balance at beginning of the year	27,427,014	29,019,753
Decrease/Increase in provision at end of year	398,145	(574,801)
Leave paid out or utilized during the year	(2,246,926)	(1,017,938)
Balance at end of the year	25,578,233	27,427,014

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

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32 DIVIDENDS PAYABLE

The balance of dividends payable relates to unclaimed dividends, payable to different ordinary shareholders. The balances are analyzed in annual amount below.

Year 2022	-	-
Year 2021	-	-
Balance at end of the year	-	-
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(818,583,411)	(292,013,042)
Depreciation/Amortization	556,995,536	425,614,258
Amortisation	-	-
(Gain)/loss on revaluation	-	-
Operating profit/(loss) before working capital changes	(261,587,875)	133,601,216
(Increase)/decrease in inventories	131,464,825	1,635,275,800
(Increase)/decrease in trade and other receivables	545,807,577	488,861,851
(Increase)/decrease in tax recoverable	-	7,394,118
Increase/(decrease) in tax payable	-	1,543,095
Increase/(decrease) in trade and other payables	504,033,379	192,805,146
Increase/(decrease) in retirement benefit obligations	(3,120,387)	14,646,029
Increase/(decrease) in provision for staff leave pay	(1,848,780)	(1,592,739)
Increase/(decrease) in Bank Overdraft	4,417,856	8,727,195
Cash generated from/(used in) operations	919,166,595	2,481,261,709
	=====	=====
(b) Analysis of changes in loans		
Balance at beginning of the year	635,921,061	345,920,109
Receipts during the year	208,695,731	461,911,234
Repayments during the year	(202,973,425)	(171,910,282)
Repayments of previous year's accrued interest	(-)	(-)
Foreign exchange (gains)/losses	-	-
Accrued interest	-	-
Balance at end of the year	641,643,368	635,921,061
(c) Analysis of cash and cash equivalents		
Short term deposits	-	-
Cash at bank	193,156,174	22,199,531
Cash in hand	1,049,006	1,828,811
Mpesa Collection Utility Account	7,459,130	5,644,061
Balance at end of the year	201,664,310	29,672,403

NOTES TO THE FINANCIAL STATEMENTS (Continued)

33 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(d) Analysis of interest paid		
Interest on loans (note 10)	82,932,977	57,220,248
Interest on bank overdraft (note 10)	59,855,168	56,169,334
	142,788,145	113,389,582
Interest on loans capitalized	82,932,977	57,220,248
Balance at beginning of the year	635,921,062	345,920,109
Balance at end of the year (note 36(b))	641,643,368	635,921,062
Interest paid	82,932,977	57,220,248
	=====	=====
(e) Analysis of dividend paid		
Balance at beginning of the year	-	-
2015 dividends paid	-	-
2018 dividends paid	-	-
2017 interim dividends paid	-	-
Balance at end of the year	(-)	(-)
Dividend paid	-	-
	=====	=====

34 RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Kenya is the principal shareholder of the company, holding 100% of the company's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

Amount Due from related parties

Strategic Food Reserve Authority	700,000,000	700,000,000
Total	700,000,000	700,000,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
b) Grants from the Government		
Grants from National Govt	700,000,000	50,000,000
Grants from County Government	-	-
Donations in kind	-	-
Total	700,000,000	50,000,000
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	13,661,333	11,256,664
Compensation to the CEO	9,971,600	9,602,000
Compensation to key management	76,515,918	65,030,245
Total	100,148,851	85,888,909

35 CAPITAL COMMITMENTS

Amounts authorized and contracted for	470,400,000	635,500,000	635,500,000
Less: Amounts incurred and included in work-in-progress	(98,769,116)	(418,323,901)	(418,323,901)
	371,630,884	217,176,099	212,176,099

NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 CONTINGENT LIABILITIES

Legal claims against the <i>entity</i>	58,759,121	58,759,121
	58,759,121	58,759,121

The company is a defendant in various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

37 FINANCIAL RISK MANAGEMENT

The entity’s activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company’s overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company’s financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company’s management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity’s maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

At 30 June 2023				
Receivables from exchange transactions	919,478,341	747,225,772	461,744,978	172,252,569
Receivables from non-exchange transactions	515,688,227	515,688,227	-	-
Bank balances	201,664,310	201,664,310	-	-
Total	1,636,830,878	1,464,578,309	461,744,978	172,252,569
At 30 June 2022				
Receivables from exchange transactions	1,484,280,490	468,643,732	843,384,189	172,252,569
Receivables from non-exchange transactions	481,856,855	481,856,855	-	-
Bank balances	29,672,403	29,672,403	-	-
Total	1,995,809,748	980,172,990	843,384,189	172,252,569

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from trade creditors (exchange transactions).

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

At 30 June 2023				
Trade payables	575,942,608	642,599,930	-	1,218,542,538
Current portion of borrowings	-	-	1,203,164,986	1,203,170,733
Provisions	-	-	168,000,000	168,000,000
Deferred income	-	-	-	-
Employee benefit obligation	-	-	59,428,814	59,428,814
Total	575,942,608	642,599,930	1,430,593,800	2,649,142,085
At 30 June 2022				
Trade payables	320,470,119	404,942,533	273,514,712	998,927,365
Current portion of borrowings	-	-	1,193,224,813	1,193,224,813
Provisions	-	-	168,000,000	168,000,000
Deferred income	-	-	-	-
Employee benefit obligation	-	-	62,549,201	62,549,201
Total	320,470,119	404,942,533	1,697,288,726	2,422,701,379

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

At 30 June 2023			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

At 30 June 2023			
Financial assets(investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

2022			
Euro	10%	-	-
USD	10%	-	-
2021			
Euro	10%	-	-
USD	10%	-	-

c) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *entity* considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

Financial Assets				
Quoted equity investments	6,456,475			6,456,475
Non- financial Assets				
Investment property				
Land and buildings				
	=====	=====	=====	=====
At 30 June 2021				
Financial Assets				
Quoted equity investments	6,456,475	-	-	6,456,475
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	=====	=====	=====	=====
	6,456,475	-	-	6,456,475
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Property, plant and equipment	-	-	-	-
	-----	-----	-----	-----
	-----	-----	-----	-----
At 30 June 2021				
Financial Assets				
Quoted equity investments	-	-	-	-
Non- financial Assets				
Investment property	-	-	-	-
Land and buildings	-	-	-	-
	-----	-----	-----	-----
	-----	-----	-----	-----

There were no transfers between levels 1, 2 and 3 during the year.

b) Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

Revaluation reserve	4,989,328,896	5,649,603,169
Retained earnings	659,282,113	1,376,406,830
Capital reserve	547,028,870	547,028,870
Grant from Government	1,888,340,538	1,889,290,790
Total funds	8,083,980,417	9,462,329,659
Total borrowings	1,203,170,733	1,193,224,813
Less: cash and bank balances	(201,664,310)	(29,672,403)
Net debt/(excess cash and cash equivalents)	1,001,506,423	1,163,552,410
Gearing	12.8 %	12.5 %

38 INCORPORATION

The entity is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

39 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

40 CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).

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a) APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

	<p>The statement of financial position and as disclosed in Notes 15 and 16 to the financial statements reflects balances of KShs.307,500,000 and KShs.3,345,117,066 in respect to free hold land and leasehold land, respectively. As previous reported, the ownership documents for eighteen (18) properties valued at KShs.853,900,000 were not provided for audit verification.</p>	<p>These are properties whose ownership is vested to New KCC Ltd through a court vesting order with the only available evidence being copies of allotment letters. Our legal team working closely with NLC to register and issue titles for these parcels.</p>	<p>Ms. Irene Mbito, Company Secretary and Chief manager Legal Services</p> <p>Not Resolved</p> <p>Ongoing</p>
<p>Further, the value of six (6) other parcels of land, two (2) of which are disputed properties in Nairobi and claimed to have been transferred to third parties have not been disclosed in the financial statements. Another twenty-three (23) disputed parcels of land and which had not yet been determined. Although, management explained that the Company had initiated legal proceedings besides engaging the National Land Commission and Ministry of</p>	<p>These are properties, which in the vesting order are owned by New KCC Ltd but with time came to be “disputed” under third party possession. Our legal team is working closely with NLC to register and issue titles for these parcels.</p>	<p>Ms. Irene Mbito, Company Secretary and Chief manager Legal Services</p> <p>Not Resolved</p> <p>Ongoing</p>	

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	Lands on the matter with a view to recovering the disputed properties, no tangible change in status of the parcels of land has been attained so far.				
In addition, out of 32.94 acres of the parcel on which the Miritini Milk Processing Factory is located, a five (5) acres parcel of land has been encroached by informal settlers some of whom have already built residential and other structures. As a result, ownership of the occupied parcels of land by the Company as well as those registered in the names of third parties is at risk.	The legal suit is still active and pending determination. However, we will be seeking National Government intervention to reclaim back the land.	Ms. Irene Mbito, Company Secretary and Chief Manager Legal Services	Not Resolved	Ongoing Court Case	
As disclosed in Note 19(a) to the financial statements, the statement of financial position reflects net trade and other receivables balance of KSHs.1, 886,454,901 which includes trade receivables balances of KSHs.1,484,280,490. However, review of the trade receivables analysis and related revealed the following anomalies;	<p>Kshs 954,663,047</p> <p>This balance is made up of the following;</p> <p>Tuskys balance of Ksh 175M, Government Institutions balance of Ksh 402M and a balance of Ksh 377M from Key Retailers and other private institutions.</p>	Mr. Pius Mutua, Ag. Chief Manager Sales & Marketing	Partially Resolved	On going	

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	<p>i.) The balance includes trade customers amounting to Kshs 954,663,047, receivables from salesmen long outstanding debts amounting to Kshs 31,135,912, receivables from agents of Kshs 30,762,496 and exports receivables of Kshs 1,495,430 all totalling Kshs 1,018,056,884 which have been outstanding for more than 120 days.</p> <p>ii.) In addition, as previously reported the balance includes an amount of KSHs.175,085,958 that has been outstanding for more than one (1) year due from a Company, which has since ceased operations.</p> <p>iii.) The company has made a provision of bad and doubtful debts of KSHs.334,507,677. However, the basis for the provision was made was not provided.</p> <p>In the circumstances, the accuracy and completeness of trade and other receivables balances of KSHs.1, 886,454,901 could not be confirmed.</p>	<p>Status as at 30th June 2023. Government Institutions balances of ksh 137.8M, Tuskys Balance of Ksh 172.3M, retailers and private institutions balance of Ksh 324M. Improvement of collection noted as compared with last financial year. Management to continue enhancing debt recovery measures to clear the over 120 days' debt. Salesmen Balances of Ksh 31,135,912. Status as at 30th June 2023: Ksh 11.7M. Improvement of collection noted as compared with last financial year. Management to continue enhancing debt recovery measures to clear the over 120 days' debt. Agents Balances of Ksh 30,762,496 Status as at 30th June 2023: Ksh 9M. Improvement of collection noted as compared with last financial year. Management to continue enhancing debt recovery measures to clear the</p>	<p>Mr. Pius Mutua, Ag. Chief Manager Sales & Marketing</p> <p>Mr. Pius Mutua, Ag. Chief Manager Sales & Marketing</p> <p>Mr. Pius Mutua, Ag. Chief Manager Sales &</p>	<p>Partially Resolved</p> <p>Partially Resolved</p> <p>Partially Resolved</p>	<p>On going</p> <p>On going</p> <p>On going</p>
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	<p>over 120 days' debt. Export Balances of Ksh 1,495,430 Status as at 30th June 2023. We had Nil balance. ii) Tuskys Bal of Ksh 175,085,958- NKCC Instituted a legal proceeding against Tuskys Supermarket and the matter is ongoing at the court of law. However, the credit risk anticipated from this case has been mitigated through provision for the debt. iii) The basis for provision for bad debt as prescribed in the credit policy clause 5.12.2(a). Management shall continuously review the policy to be aligned with the business environment.</p>	<p>Marketing Mr. Pius Mutua, Ag. Chief Manager Sales & Marketing Mr Samuel Ichura. Chief Manager Finance</p>
		<p>Partially Resolved Not Resolved</p>
		<p>On going On going. To be reviewed in Q1 of 2023-2024.</p>

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	<p>The statement of financial position reflect current liabilities balance of KSHs.4,016,421,397 which exceeds the current assets balance of KSHs.3,304,716,006 result to a negative working capital of KSHs.711,705,391. The company is, therefore, technically insolvent and its ability to continue as a going concern is dependent upon support from the National Government and its Creditors. However, this material uncertainty has not been disclosed in the financial statements.</p>	<p>Management is working towards turning the business to profitability and improving on working capital management through reduction and non-procuring of non-key production items and cost minimization strategies</p> <p style="text-align: center;">MD</p>	<p>Not Resolved</p>	<p>Ongoing</p>
	<p>In the circumstances, the company may be unable to meet its short-term liabilities as and when they fall due.</p>			

Managing Director (Nixon Sigey)

 Date.....

Chairman of the Board (Mr. David Maina Kamiru)

 Date.....

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b) APPENDX II: CAPITAL PROJECTS UPDATE AS AT 30TH JUNE 2023

N o	LOCATI ON	PROJECT	BENEFITS	TOTAL PROJECT COST (KSHS)	COMPLE TION % AS AT 30th June 2023	STATUS
1	Kericho	NKCC/T/080/2019-20. Design and Construction of Sales Depot	Enhancement of finished products storage capacity	33,570,400	100%	<input type="checkbox"/> completed and under Defect Liability Period
2	Nyambene	NKCC/T/085/2020-21 – Supply, Installation and Commissioning of Aseptic Plastic Pouch Filling Machine – Nyambene	Filling capacity for the new long life line	30,409,400	85%	<input type="checkbox"/> Equipment is on shipment.
3	Kericho	NKCC/T/052/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Depot cold chain facility	7,949,142	50%	<input type="checkbox"/> Fabrication ongoing
4	Nakuru	NKCC/T/053/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Replace dilapidated refrigeration system	9,775,888	50%	<input type="checkbox"/> Fabrication ongoing
5	Kisumu	NKCC/T/054/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Replace dilapidated refrigeration system	8,996,300	85%	<input type="checkbox"/> Equipment is on Shipment (23 PC 1)
6	Nyambene	NKCC/T/026/2021 – 22 – Design, supply, installation and commission of cold store refrigeration system	Depot cold chain facility	7,230,657	85%	<input type="checkbox"/> Equipment is on Shipment (23 PC 2)

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c) APPENDIX III: INTER-ENTITY TRANSFERS

a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	13.06.2023	700,000,000	
	Total	700,000,000	
			-
	Total		-
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	13.06.2023	200,000,000	2022
	Total	200,000,000	
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-
			-
			-
	Total		-
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		-	
		-	
			-
	Total		-

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
 New Kcc Ltd

Sign-----

Head of Accounting Unit
 State Department of
 Cooperatives

Sign-----

d) APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOV'T ENTITIES

Ministry of Cooperatives & MSMES	13.06.2023	Development	200,000,000	-	200,000,000	-	-	-	200,000,000
		Recurrent	500,000,000						500,000,000
Total			700,000,000	-	200,000,000	-	-	-	700,000,000

